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ABSTRACT

This document presents text and graphs to provide a broad overview of financing for public higher education in Texas. Texas public institutions of higher education include more than 140 campuses with a total of $9.9 billion in appropriated funds for 1996-97. Universities receive $2,810,346,704 in general revenues for 35 institutions, and health-related institutions receive $1,500,489,397 for 9 institutions. Community and junior colleges receive $1,310,499,705 for 50 districts, and technical colleges will receive $106,324,332 in general revenues for 7 institutions. The Texas Higher Education Coordinating Board is allocated $338,236,390, mainly for administration of student loans. In a national comparison, Texas was found to be 21st in the nation in per-enrolled-student appropriations and 26th in per-student funding of institutions when tuition and fees are included. In tuition and fees charged, Texas ranked 42nd out of 46 states reporting and 45th out of 45 states reporting charges for resident graduate students. Texas is ranked 32nd in faculty salaries nationally among public institutions and sixth in federally funded research and development activities at institutions of higher education. An appendix details general revenue appropriations by institution. (JLS)

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ED 401 801

AN OVERVIEW

OF

TEXAS PUBLIC HIGHER EDUCATION

FUNDING FOR

1996-1997 BIENNIUM

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Division of Research, Planning and Finance
Texas Higher Education Coordinating Board

April 1996

HE 029 648

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Coordinating Board Mission

The mission of the Texas Higher Education Coordinating Board is to provide the Legislature advice and comprehensive planning capability for higher education, to coordinate the effective delivery of higher education, to efficiently administer assigned statewide programs, and to advance higher education for the people of Texas.

Coordinating Board Philosophy

The Texas Higher Education Coordinating Board will promote access to quality higher education across the state with the conviction that access without quality is mediocrity and that quality without access is elitism. The Board will be open, ethical, responsive, and committed to public service. The Board will approach its work with a sense of purpose and responsibility to the people of Texas and is committed to the best use of public monies.

1. Introduction

This document provides a broad overview of financing for public higher education in Texas. Texas public institutions of higher education include more than 140 campuses across the state. Collectively, they represent a complex enterprise with all funds appropriations totaling $9.9 billion for the current biennium. General revenue accounts for $6.9 billion of that amount. Other sources include tuition and fees, gifts and grants, contracts for services rendered, revenue from local taxing districts, and hundreds of other sources.

Expenditures include salaries for faculty, administrators and support personnel; funds used to maintain the 61,621,720 square feet of buildings occupied by higher education institutions; scholarships for some of the state's brightest students and some of the state's most under-represented groups; construction projects; research facilities; museums; and the hundreds of other purposes necessary to operate the higher education enterprise.

The educational and general (E&G) revenue and expenditures for each segment of higher education are presented in the charts on pages 2-5. E&G excludes the activities of auxiliary enterprises, such as intercollegiate athletics, dormitories and book stores. The "state appropriations" section of the revenue charts does not reflect the 1.27 percent general revenue reduction required by Article IX, Section 153, of the Appropriations Act. The table below presents the amount of the reduction for each segment of higher education.

Segment of Higher Education	Section 153 Reduction
Universities	$31,875,959
Health-Related Institutions	$19,378,976
Community Colleges	$14,851,471
Technical Colleges	$1,219,929

Section 9 of this document contains an annotated bibliography listing sources of additional information on higher education financing.

2. Universities ($2,810,346,704 in General Revenue for biennium)

Texas has 35 public universities governed by 10 different boards of regents. Some of these institutions are organized into multi-university systems with a single board of regents, while other boards govern single institutions.

The percentage of an institution's total revenue provided by the state varies widely from institution to institution. Some small institutions are almost totally supported by appropriated funds, while some large institutions rely heavily on external support. In fiscal year 1995, for example, state general revenue constituted less than 35.8 percent of the education and general fund revenue on which The University of Texas at Austin operated.

State funds for universities are appropriated directly to the institutions and do not pass through either the Coordinating Board or a system office. Funds for operating systems offices are appropriated in most cases to the institutions which in turn return them to the systems offices.

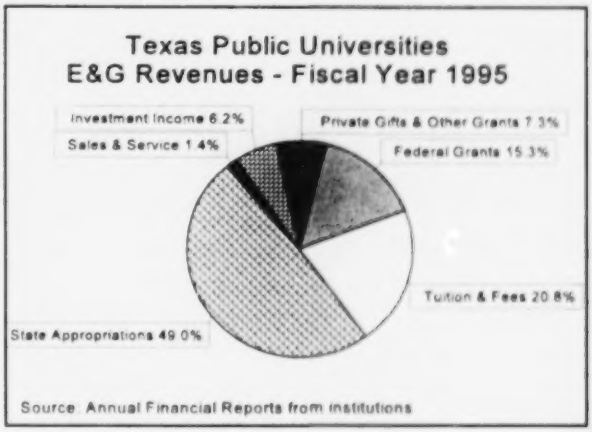
On average, about 72 percent of the state funds appropriated to public universities are allocated through a series of formulas developed by the Coordinating Board. These formulas, updated each biennium by six committees consisting of university administrators, faculty, and members of the general public, are approved by the Coordinating Board. The total appropriation is driven by these formula rates, enrollments and other factors during the "base year" that occurs immediately prior to the legislative session.

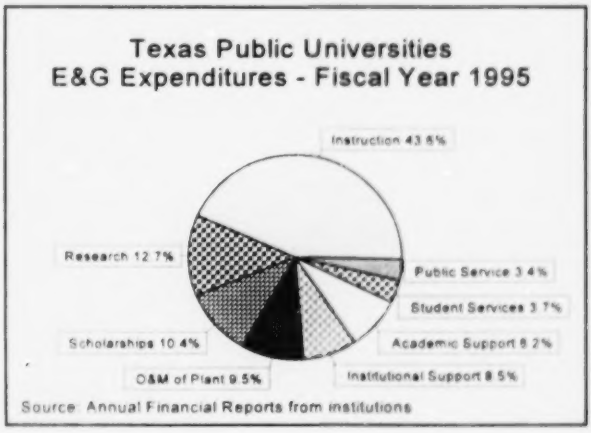
The allocation of additional state funds for utilities, fringe benefits, and a number of special activities is based on justification by each institution. In recent biennia, the Legislature has appropriated an increasing fraction of the funds for each institution in the form of "special items." Special items, accounting for approximately 11.2 percent of total appropriations, fund a wide range of diverse activities such as scholarship programs, research centers, museums, debt service for previously issued bonds, and hundreds of other activities.

Texas is unique among the states in that it has two funds that provide a continuing, constitutionally-guaranteed source of funding for new construction and major repair and rehabilitation of buildings. The Permanent University Fund (PUF) is an endowment fund established by the first Texas constitution. The earnings from that endowment can be used for capital projects or to provide debt service on bonds issued for capital projects at 17 Texas universities: The University of Texas at Arlington, The University of Texas at Austin, The University of Texas at Dallas, The University of Texas at El Paso, The University of Texas of the Permian Basin, The University of Texas at San Antonio, The University of Texas at Tyler, The University of Texas Southwestern Medical Center at Dallas, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, The University of Texas M.D. Anderson Cancer Center, The University of Texas Health Center at Tyler, Texas A&M University, Texas A&M University at Galveston, Prairie View A&M University, and Tarleton State University. A portion of the income from the Permanent University Fund is also used to support excellence projects at The University of Texas at Austin, Texas A&M University, and Prairie View A&M University.

The Higher Education Assistance Fund (HEAF), created in 1985, provides funds for capital construction or debt service on bonds issued for capital projects at all institutions not supported by the PUF. The Legislature significantly increased HEAF funding from $100 million to $225 million annually, beginning in fiscal year 1996. Of the $225 million, $50 million is placed in an endowment fund with the goal that eventually the HEAF will be a self-sustaining fund like the PUF.

The following two charts illustrate the revenue sources and expenditure categories for E&G activities at Texas public universities for fiscal year 1995.


Texas Public Universities
E&G Revenues - Fiscal Year 1995
Investment Income 6.2%
Private Gifts & Other Grants 7.3%
Sales & Service 1.4%
Federal Grants 15.3%
Tuition & Fees 20.8%
State Appropriations 49.0%
Source: Annual Financial Reports from institutions



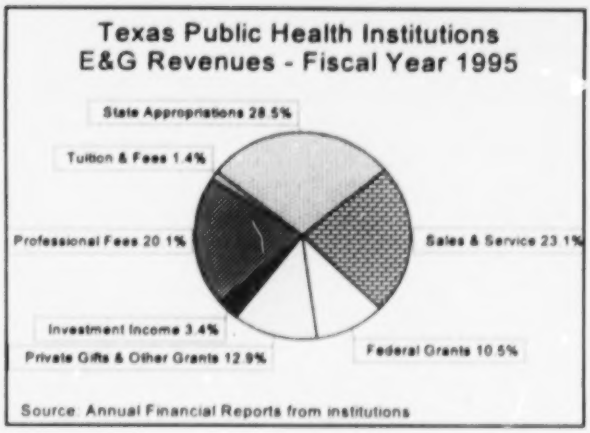
3. Health-Related Institutions ($1,500,489,397 in General Revenue for biennium)

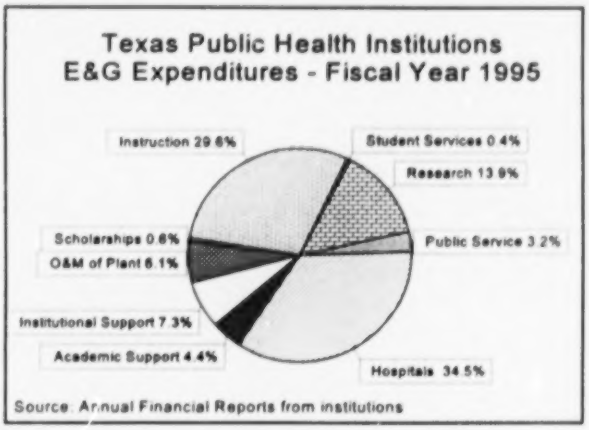
Texas currently has nine public health-related institutions. The Baylor College of Dentistry will become the 10th as a component of the Texas A&M University System on September 1, 1996. These institutions include health science centers that provide education in a variety of health-related professions and extensive patient care as well as facilities that provide only research and patient care and have no formal teaching programs.

Unlike general academic institutions, where a large fraction of state funding is allocated with funding formulas, virtually all state funding for health-related institutions is allocated by justification to the Legislature. Compared to state funding for universities, state funding is a much smaller part of the revenue of most health institutions. They earn a much larger portion of their total funding from research funding, various health-care services they provide, and other sources of local income. In addition, health-related institutions provided more than $584 million in uncompensated hospital care and more than $647 million in uncompensated physician charges for indigent patients in fiscal year 1995.

One somewhat controversial aspect of financing health-related institutions involves the national practice of allowing faculty members to treat patients from whom income is derived. In Texas, this income is placed in an institutional fund used to supplement salaries and fringe benefits, fund research, or otherwise improve the quality of the institution.

The following two charts illustrate the revenue sources and expenditure categories for E&G activities at Texas public health-related institutions for fiscal year 1995.


Texas Public Health Institutions
E&G Revenues - Fiscal Year 1995
State Appropriations 28.5%
Tuition & Fees 1.4%
Professional Fees 20.1%
Sales & Service 23.1%
Investment Income 3.4%
Private Gifts & Other Grants 12.9%
Federal Grants 10.5%
Source: Annual Financial Reports from institutions



4. Community and Junior Colleges ($1,310,499,705 in General Revenue for biennium)

Texas has 50 community or junior college districts that offer academic and technical courses. The number of students enrolling in community colleges is growing faster than the number of students enrolling in universities. Community colleges now enroll more students than universities.

Public community colleges are state-*assisted* institutions. Each is governed by a locally-elected governing board and partially supported by local taxes. Historically, the local taxing district supports the physical plant and related costs, such as utilities and maintenance, while the state bears the costs of administration and instruction. In recent years, most, but not all, community college districts have supplemented the

basic state aid provided by the state with additional funds to support instruction and administration.

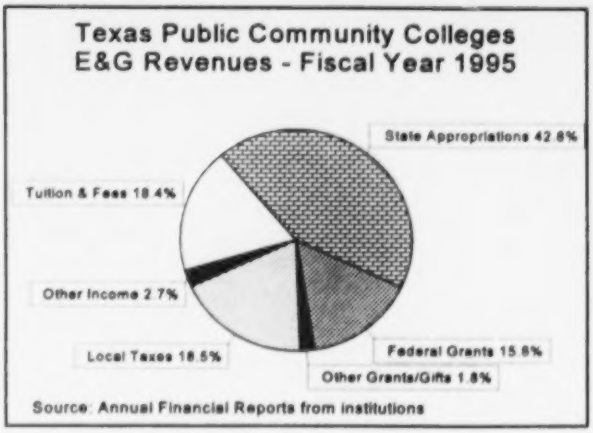
The fraction of the average community college's educational and general revenue contributed by the state declined from 60 percent in fiscal year 1985 to 43.5 percent in fiscal year 1995.

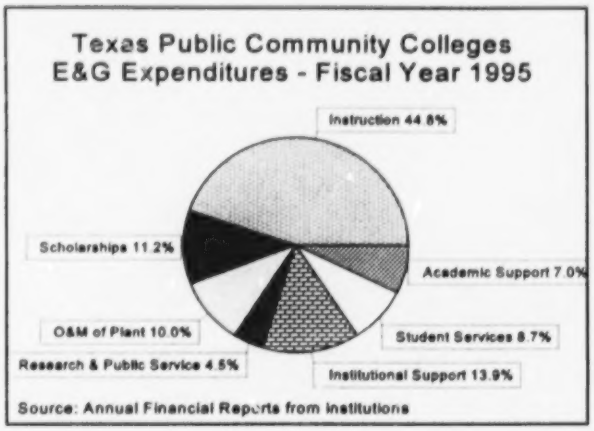
Most of the funds appropriated to community colleges are allocated through a funding formula developed by the Coordinating Board. The formula is based on a biennial cost study. As a part of the cost study, each institution provides the Coordinating Board with the per-contact-hour cost of teaching and administering courses in each of 17 different academic disciplines and 39 different technical disciplines. The formula rate for each discipline is then calculated as the sum of the median administrative cost and the median instructional cost for that discipline.

The appropriation for each community college is based on the sum of the products of the rates as derived above and the number of contact hours taught in each discipline during the "base year" immediately prior to the legislative session. The Legislature appropriates money directly to the community college -- not to the Coordinating Board -- but the Coordinating Board distributes these funds.

In addition to formula funding, community colleges receive a small but growing portion of their funding directly from the Legislature in the form of "special item" funding. For the 1996-97 biennium, 24 community college districts received $15,540,443 in "special item" funding.

The following two charts illustrate the revenue sources and expenditure categories for E&G activities at Texas public community colleges for fiscal year 1995.





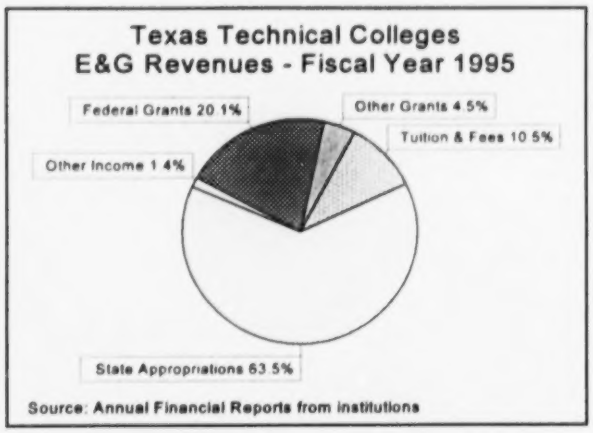
5. Technical Colleges ($106,324,332 in General Revenue for biennium)

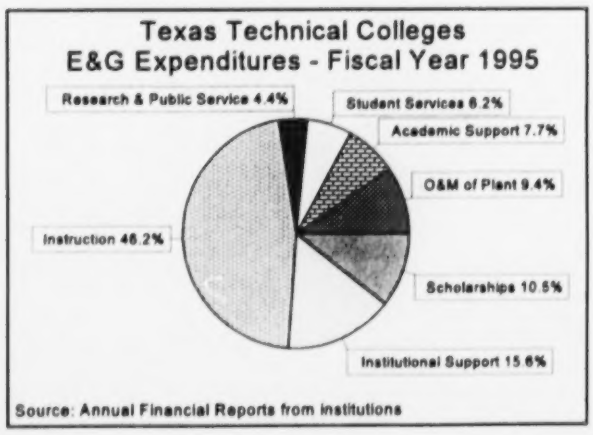
The Texas State Technical College (TSTC) System consists of three colleges and four extension centers offering two-year technical degrees and certificate programs, primarily in a residential setting. All colleges and centers in the system are governed by a single board of regents. The TSTC System is a relatively small part of the state's technical education program, but it is very visible because of its focus on advanced and emerging technologies.

The Texas State University System includes three colleges offering two-year academic and technical education. These are Lamar University at Orange, Lamar University at Port Arthur and Lamar Institute of Technology.

Unlike other two-year institutions, the TSTC System and the Lamar centers do not have a local tax base. However, the Lamar centers have participated in HEAF since 1985, and a constitutional amendment added TSTC to the HEAF in fiscal year 1996. The formula used for administrative and instructional activities at community colleges is also used for TSTC and the Lamar centers. The formula used for physical plant-related activities at universities determines the appropriation for TSTC and the Lamar centers physical plant costs. TSTC receives an increasingly important portion of its revenue from auxiliary activities and contract instruction.

The following charts illustrate the revenue sources and expenditure categories for E&G activities at the Texas State Technical Colleges and Lamar University at Orange and Lamar University at Port Arthur for fiscal year 1995.





6. Texas Higher Education Coordinating Board
($338,236,390 in General Revenue for biennium)

The Texas Higher Education Coordinating Board was created by the Texas Legislature in 1965 to ensure quality and efficiency as public higher education expanded to meet the needs of a growing and changing population and work force. To meet these obligations, the Board recommends formulas for allocation of state funds to public institutions; authorizes academic programs; works to eliminate duplication in academic programs, unnecessary construction projects, and real estate acquisitions; and develops plans to guarantee future quality.

The Coordinating Board's budget totals approximately $456 million for the biennium. However, $427 million of that amount consists of state or federal funds that are trusteed to the agency for subsequent allocation to institutions.

The largest single activity of the Coordinating Board is administration of the Hinson-Hazlewood student loan program. Under this program, the state sells bonds, then loans the bond proceeds to Texas students. Since its inception in 1965, the program has loaned more than $900 million to over 250,000 students.

Also administered by the Coordinating Board are the Advanced Research Program and Advanced Technology Program. These two competitive grants programs award $60 million each biennium to faculty investigators at Texas universities and health science centers.

In addition, funds for Baylor College of Medicine, Baylor College of Dentistry and other health-related programs trusteed to the Coordinating Board amount to more than $125 million.

7. Independent (Private) Institutions

Independent institutions are a relatively small part of the total higher education enterprise in Texas as compared to other states. Students at independent institutions account for about 10.5 percent of enrollment. Like most states, Texas provides a limited amount of support to independent institutions.

About $48 million per year is provided by the Legislature every biennium to Baylor College of Medicine and Baylor College of Dentistry. Funding for Baylor College of Medicine and Baylor College of Dentistry is based on the number of Texas residents enrolled. Rates are based on costs at public medical and dental schools

Students enrolled in independent institutions are eligible for need-based Tuition Equalization Grants funded by the Legislature. In recent years funds available for this purpose have been sufficient to meet less than half the need, although approximately $75.4 million was appropriated for the current biennium (an increase of $25 million). Independent institutions are eligible to compete for Advanced Technology Program research grants, and some of them are regularly successful in this competition.

8. National Comparisons

Comparing funding for Texas institutions of higher education with that of other states is difficult because there are many different measures. However, summarized below are national comparisons on several key measures.

One of the best sources of comparative information, adjusted for geographical and educational system differences, is a report published by Research Associates of Washington D.C. This report indicates that Texas is 21st in the nation in per-enrolled-student appropriations and 26th in the nation in per-student funding of institutions when tuition and fees are added to appropriations.

According to information compiled by the State of Washington Higher Education Coordinating Board, in 1995 in tuition and fees charged resident undergraduate students, Texas ranked 42nd out of 46 states reporting. Texas ranked 45th out of the 45 states reporting in the charges to resident graduate students.

A study published by the American Association of University Professors in 1995 indicated that Texas ranked 32nd in the nation in faculty salaries at public universities and last among the 10 most populous states.

In a National Science Foundation study, Texas ranked 6th in the nation in 1993 in federally funded research and development activities at institutions of higher education.

9. Sources of Further Information

The following publications are available from the Coordinating Board's Public Information Office at (512) 483-6111:

An Overview of Article III, House Bill 1, 74th Legislature -- This document summarizes portions of the Appropriations Act relevant to higher education and provides some comparisons among institutions and comparisons with the previous biennium.

Special Item Funding for Texas Public Institutions of Higher Education: Fiscal Years 1996 and 1997 -- This document summarizes special items provided to Texas public institutions of higher education by the 74th Legislature.

Facts on Higher Education in Texas 1995 -- This pamphlet provides dozens of facts about different aspects of higher education in Texas. A limited number of facts regarding financing are included.

1994 Statistical Report -- This document is a compendium of statistics, including a number of financial statistics, related to Texas higher education.

Administrative Expenditures in Texas Public Institutions of Higher Education -- This report compares administrative costs in Texas universities with each other and with costs in universities in other states.

The following publications are available for viewing at each institution and the Legislative Reference Library in Austin:

Annual Financial Reports -- Annual financial reports from each institution are produced in a standard format specified by the Comptroller of Public Accounts. Most are voluminous, and copying costs -- in time and expense -- are prohibitive.

Annual Budget Documents -- Each institution develops an annual budget. Like financial reports, most are voluminous. They are required to be available in the library of each institution.

The following documents are available from the sources indicated:

House Bill 1, 74th Texas Legislature -- This is the Appropriations Act for the biennium beginning September 1, 1995 and ending August 31, 1997. Although a few other bills appropriate money to higher education, the vast majority of funds are appropriated through this document. It contains appropriations for institutions of higher education as well as all other agencies of state government including the Coordinating Board. Comptroller of Public Accounts, (512) 463-4000.

Fiscal Size-up -- This document is prepared every biennium by the Texas Legislative Budget Board and contains a detailed analysis of the appropriations for state government. A comprehensive analysis of the appropriations for higher education is included. Legislative Budget Office, (512) 463-1200.

State Profiles: Financing Public Higher Education: 1978-1995 (Halstead Report) -- This document, published annually by Research Associates of Washington, is probably the most accurate and current source of comparative information on the financing of general academic institutions in the U.S. Current and historical data are provided. Tax support and other sources of revenue are indicated, as well as tax effort, support for higher education as a fraction of total state expenditures, and similar information. Research Associates of Washington, 2605 Klingle Road, NW, Washington, D.C. 20088.

State Higher Education Profiles -- This document, produced by the National Center for Education Statistics, Office of Educational Research and Improvement, U. S. Department of Education, provides a wealth of comparative data on higher education programs, outputs, and financing in the U.S. It is the most complete source of national higher education data. However, the data is usually three years old when it is published. National Center for Educational Statistics, U.S. Department of Education, Washington, D.C. 20208-5652.

APPENDIX A
HOUSE BILL 1
GENERAL REVENUE APPROPRIATIONS
1996 - 97 BIENNIUM
(Includes Employees Group Insurance Contributions)
(Does not include 1.27% reduction of Article IX, Section 153)

	Appropriated Gen. Rev.
GENERAL ACADEMICS	
The University of Texas at Arlington	$139,130,305
The University of Texas at Austin	426,237,169
The University of Texas at Dallas	72,602,637
The University of Texas at El Paso	97,184,623
The University of Texas-Pan American	68,270,355
The University of Texas at Brownsville	22,061,461
The University of Texas of the Permian Basin	18,528,906
The University of Texas at San Antonio	86,663,459
The University of Texas at Tyler	25,218,873
Texas A&M University	381,128,503
Texas A&M University at Galveston	14,853,004
Prairie View A&M University	40,297,274
Tarleton State University	34,736,388
Texas A&M University-Corpus Christi	50,734,036
Texas A&M University-Kingsville	48,152,410
Texas A&M International University	31,670,744
West Texas A&M University	37,982,108
East Texas State University	45,054,195
East Texas State University at Texarkana	7,391,878
University of Houston	230,159,372
University of Houston-Clear Lake	37,653,203
University of Houston-Downtown	27,876,835
University of Houston-Victoria	9,722,544
Lamar University-Beaumont	51,347,029
Midwestern State University	30,888,994
University of North Texas	151,112,216
Stephen F. Austin State University	65,814,730
Texas Southern University	56,546,707
Texas Tech University	189,655,879
Texas Woman's University	84,456,854
Angelo State University	36,438,693
Sam Houston State University	58,204,843
Southwest Texas State University	103,138,924
Sul Ross State University	23,567,756
Sul Ross State University Rio Grande College	5,863,797
35 GENERAL ACADEMICS - TOTAL	$2,810,346,704
SYSTEM ADMINISTRATION OFFICES	
A&M System Administration	$18,514,134
UH System Administration	9,159,220
Lamar System Administration	1,518,530
Texas State System Administration	4,997,224
UT System Administration	92,394,782
SYSTEM ADMINISTRATION OFFICES TOTAL	$126,583,890
HEALTH-RELATED INSTITUTIONS/ITEMS	
UT Southwestern Medical Center at Dallas	$159,778,660
UT Medical Branch at Galveston	420,281,883
UT Health Science Center at Houston	215,298,171
UT Health Science Center at San Antonio	212,293,652
UT M.D. Anderson Cancer Center	227,244,563
UT Health Center at Tyler	45,490,393
Texas A&M Univ. Health Science Center	32,391,070
Univ of North Texas Health Science Center	63,796,886
Texas Tech Univ. Health Sciences Center	123,914,119
Baylor College of Medicine	67,722,358
Baylor College of Dentistry	27,950,558
Family Practice Residency Program	16,925,148
Physician's Loan Repayment Program	600,000
Loan Repayment Assistance	1,000,000
Physicians Compensation Program	8,174,876
Resident Family Practice Pilot Projects	2,000,000
HEALTH-RELATED INSTITUTIONS/ ITEMS - TOTAL	$1,624,862,337
TEXAS A&M UNIVERSITY SERVICES	
Texas Agricultural Experiment Station	$87,977,924
Texas Agricultural Extension Service	78,083,968
Texas Engineering Experiment Station	16,793,906
Texas Engineering Extension Service	8,623,295
Texas Transportation Institute	5,932,754
Texas Forest Service	25,331,940
Animal Damage Control Services	5,817,930
Texas Veterinary Medical Diagnostic Lab	6,000,572
TEXAS A&M UNIVERSITY SERVICES TOTAL	$234,562,289
COMMUNITY/JUNIOR COLLEGES TOTAL	$1,310,499,705
TEXAS STATE TECHNICAL COLLEGE	
TSTC-System Office	$3,830,572
TSTC-Amarillo (d)	679,198
TSTC-Harlingen	22,377,239
TSTC-Sweetwater	14,893,935
TSTC-Waco	40,917,527
TSTC - TOTAL	$82,698,471
LAMAR CENTERS	
Lamar University Institute of Technology	$7,587,662
Lamar University at Orange	6,415,092
Lamar University at Port Arthur	9,623,107
LAMAR CENTERS - TOTAL	$23,625,861
COORDINATING BOARD	
COORDINATING BOARD TOTAL	$213,863,450
OTHER	
Texas Food and Fibers Commission	$3,013,214
OTHER - TOTAL	$3,013,214
HIGHER EDUCATION FUND	
HIGHER EDUCATION FUND - TOTAL	$450,000,000
HIGHER EDUCATION GRAND TOTAL	**$6,880,055,921**

Notes:
- Does not include the 1.27% reductions from Article IX, Section 153, Appropriations Act.
- Effective September 1, 1996, Baylor College of Dentistry, East Texas State University and East Texas State University at Texarkana become part of the Texas A&M University System.
- Lamar University System was abolished and the components became part of the Texas State University System effective September 1, 1995.
- Amarillo College assumed operations of TSTC-Amarillo effective with the Fall, 1995 semester.
- Optional Retirement Program adjustments were appropriated to the systems rather than individual institutions.
- $100 million of the $450 million appropriated for the Higher Education Fund will be used to fund an endowment.

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